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**Cash assistance to Government in the context of UNICEF
programme cooperation modalities****Report of the Advisory Committee on Administrative and
Budgetary Questions****

1. The Advisory Committee on Administrative and Budgetary Questions has considered the report of the Executive Director of UNICEF relating to cash assistance to Government (CAG) in the context of UNICEF programme cooperation modalities (E/ICEF/2002/AB/L.5). During its consideration of the report, representatives of the Executive Director provided additional information.
2. This report is submitted pursuant to the decision of the Executive Board of UNICEF at its first regular session in 2001 to revert to the issue of CAG on the basis of a report on its current practice and financial regulations and rules (E/ICEF/2001/6/Rev.1, decision 2001/6).
3. As indicated in paragraph 39 of the document, UNICEF may provide financial assistance to Governments either through disbursement to national authorities or to civil society organizations in support of the implementation of programme activities or through reimbursement of incurred expenditure. In some cases, UNICEF makes direct payments to the vendors on behalf of the Government.
4. The Advisory Committee notes from paragraph 43 of the document that UNICEF accounts for the cash assistance as programme expenditure at the time of disbursement of funds to the Government. The Advisory Committee also notes from the paragraph 47 of the document that the UNICEF financial regulations have been amended to reflect the revised definition of programme expenditure, which may include cash assistance.

* E/ICEF/2002/11.

** The document was submitted late to the conference services without the explanation required under paragraph 8 of General Assembly resolution 53/208 B, by which the Assembly decided that, if a report is submitted late, the reason should be included in a footnote to the document.





5. The reasons for recording cash assistance to the Government as an expenditure at the time of transfer of the funds are indicated in paragraph 46 of the document. These include the need to avoid a delay in the accounting of the resource transfer to some time in the future while the provision of input to the programme of cooperation has already been made. It is also indicated that "at that time in the future, the budgetary authority approved by the Executive Board as well as donors for the period could have expired". The Advisory Committee points out that there are pragmatic solutions to the issue of budgetary authority (see, for example, document A/43/674, paras. 9-11 and 31.) In the opinion of the Advisory Committee, it is not appropriate to use the issue of budgetary authority as a rationale for the administration's position on ownership of funds.

6. In paragraph 9 of its report A/54/441 of 6 October 1999, as endorsed by the General Assembly in its resolution 54/13 B of 23 December 1999, the Advisory Committee stated that:

"According to UNICEF, the payment of funds by UNICEF to Governments is taken as an expenditure because the ownership of the funds is transferred to the Government at the time the payment is made. The implication of accepting this view is far wider than may have been understood by the UNICEF administration, since the statement might be construed as implying that funds transferred to Governments are grants to be used by Governments in a manner of their choosing. The Committee points out that whereas Governments may have custody of funds made available by UNICEF, they do not own the funds and if the funds are not fully spent for the purposes intended by UNICEF, they have to be refunded."

7. In paragraph 31 of its report A/55/487 of 16 October 2000, the Advisory Committee reiterated the views expressed in its report dated 6 October 1999.

8. Paragraphs 40-42 of the document outline the procedures concerning treatment of disbursement as well as monitoring and oversight of the use of these resources.

9. The Advisory Committee points out that these procedures are, in a number of cases post facto, such as, for example, the requirement that the responsible UNICEF programme officer monitors whether the activities have been carried out; and that any future payments to the same recipient are contingent on the submission of financial and activity monitoring reports for any disbursement older than six months.

10. The Advisory Committee points out that action taken with respect to future disbursements does not ensure the proper treatment of funds already disbursed. In this connection, the Advisory Committee was made aware of a clause in the master plan of operations whereby any balance of funds unutilized or which could not be used according to the original plan shall be reprogrammed by mutual consent between the Government and UNICEF. The key question is what would happen to the funds in the absence of an agreement? In the opinion of the Advisory Committee, the problems engendered by the administration's position that transfer of ownership occurs with transfer of custody (i.e. disbursement of fund) remain unaddressed. The Advisory Committee therefore reiterates its position as endorsed by the General Assembly (see para. 6 above). In view of the seriousness of this matter, the Advisory Committee intends to resume consideration when it takes up the reports of the Board of Auditors in September 2002. In this connection, the

Advisory Committee recalls that it had requested the Board of Auditors to ascertain the extent to which the various control, reporting and certification functions are being adequately performed.
